

CLINTON CITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

JUNE 30, 2006

CLINTON CITY
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Clinton City
Clinton, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton City, Utah as of and for the year ended June 30, 2006, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 34 through 35 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information described in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Impact Fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Davis, Chase & Associates

January 18, 2007

CLINTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

INTRODUCTION

The following is a discussion and analysis of Clinton City's financial performance and activities for the fiscal year ending June 30, 2006.

HIGHLIGHTS

- Acquisition of 57 acres of land to move and expand City facilities/park.
- Sale of 31 acres of City property and facilities.
- Improvements to half of Heritage Park.
- 20+ new street lights added by City as part of retro-fitting street lights throughout the City.
- Participation with UTA in securing Trail Development Grant.
- Environmental Impact and beginning of property acquisition for 2000 West (Highway 108) improvements between 1300 and 2300 North.
- A variety of residential street overlays and improvements.
- Clean-up and clarity enhancements to City Pond Park.

Net assets increased by \$5,836,399. Of this amount, 21% is a result of business-type activities, and 79% is a result of governmental activities. The increase in net assets was mostly due to a strong showing of building permits and fees, higher than expected revenues from sales tax, franchise and telecommunication taxes, impact fees from new development and infrastructure contributed by developers.

The City was able to continue improving the roads, parks, and other infrastructure as well as acquiring new police vehicles and other equipment.

The assets of Clinton City exceeded its liabilities at the end of the current fiscal year by \$44,873,237 (net assets). Of this amount, \$8,023,617 (unrestricted net assets) is available to meet ongoing obligations to citizens and creditors.

The City's governmental funds reported combined ending fund balance of \$5,608,433, an increase of \$588,915 compared to the prior years' ending amount. Of the combined total fund balance, \$4,552,233 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the General Fund at June 30, 2006, totaling \$1,805,847, is 17.9% of the General Fund total revenues for the year and 39.7% of governmental unreserved and undesignated fund balance. The General Fund, also has \$803,996 of fund balance reserved for specific purposes that will be carried over into the following fiscal year. The Capital Project Funds have \$40,059 of fund balance reserved for specific purposes that will be carried over into the following year.

During the year, long-term debt for Clinton City decreased by approximately \$157,934.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Clinton City's business type activities are sewer, water, solid waste and storm water.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Clinton City maintains eight individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Special Revenue Fund, and two Capital Project Funds which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Clinton City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Clinton City has four Proprietary Funds: the water fund, the sewer fund, the solid waste fund and the storm water fund. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. An Internal Service Fund is presented in a separate column in the Proprietary Fund financial statements.

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Current and other assets	\$ 9,692,557	\$ 7,897,167	\$ 4,780,890	\$ 4,339,088	\$ 14,473,447	\$ 12,236,255
Capital assets	21,922,720	18,169,242	12,374,509	11,607,341	34,297,229	29,776,583
Total assets	31,615,277	26,066,409	17,155,399	15,946,429	48,770,676	42,012,838
Long-term liabilities						
outstanding	526,000	647,000	-	-	526,000	647,000
Other liabilities	3,049,144	2,965,364	322,295	309,993	3,371,439	3,275,357
Total liabilities	3,575,144	3,612,364	322,295	309,993	3,897,439	3,922,357
Net assets:						
Invested in capital assets,						
net of related debt	21,275,720	17,364,308	12,374,509	11,607,341	33,650,229	28,971,649
Restricted	1,056,200	1,992,315	2,143,191	2,127,679	3,199,391	4,119,994
Unrestricted	5,708,213	4,043,779	2,315,404	1,901,416	8,023,617	5,945,195
Total net assets	\$ 28,040,133	\$ 23,400,402	\$ 16,833,104	\$ 15,636,436	\$ 44,873,237	\$ 39,036,838

The largest component of the City's net assets, 75%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 7% of total net assets and are subject to external restrictions on how they may be used. The remaining 18% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

Governmental Activities and Business Type Activities

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,008,718	\$ 2,032,082	\$ 3,327,693	\$ 3,370,122	\$ 5,336,411	\$ 5,402,204
Operating grants and contributions	591,546	551,611	-	-	591,546	551,611
Capital grants and contributions	1,012,097	371,696	541,276	882,726	1,553,373	1,254,422
General revenues:						
Property taxes	1,141,105	964,224	-	-	1,141,105	964,224
Sales taxes	2,056,544	1,653,703	-	-	2,056,544	1,653,703
Other taxes	1,067,676	921,386	-	-	1,067,676	921,386
Impact fees	650,946	1,047,590	-	-	650,946	1,047,590
Interest	181,557	100,814	112,491	59,939	294,048	160,753
Other	46,342	71,778	-	-	46,342	71,778
Gain on sale of assets	2,328,295	-	-	-	2,328,295	-
Transfers	13,675	132,725	(13,675)	(132,725)	-	-
Total revenues	11,098,501	7,847,609	3,967,785	4,180,062	15,066,286	12,027,671
Expenses:						
General government	1,736,144	1,409,829	-	-	1,736,144	1,409,829
Public safety	2,221,983	2,134,134	-	-	2,221,983	2,134,134
Highways and public improvements	1,202,974	1,378,427	-	-	1,202,974	1,378,427
Parks and recreation	1,223,281	1,142,203	-	-	1,223,281	1,142,203
Cemeteries	53,883	44,389	-	-	53,883	44,389
Interest on debt	20,505	-	-	-	20,505	-
Solid waste	-	-	1,127,351	987,301	1,127,351	987,301
Storm water	-	-	217,495	172,292	217,495	172,292
Water	-	-	831,958	819,364	831,958	819,364
Sewer	-	-	594,313	593,980	594,313	593,980
Total expenses	6,458,770	6,108,982	2,771,117	2,572,937	9,229,887	8,681,919
Increase in net assets	4,639,731	1,738,627	1,196,668	1,607,125	5,836,399	3,345,752
Net assets-beginning	23,400,402	21,661,775	15,636,436	14,029,311	39,036,838	35,691,086
Net assets-ending	\$ 28,040,133	\$ 23,400,402	\$ 16,833,104	\$ 15,636,436	\$ 44,873,237	\$ 39,036,838

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$4,639,731 for the year.

Management's Discussion and Analysis

Business-Type Activities

The business-type activities increased net assets by \$1,196,668. The sewer, water, solid waste and storm water Enterprise Funds are generating sufficient revenue to cover operating costs. The majority of the increase was a result of recording capital contributions from subdivision developers for the estimated cost of infrastructure put in by the developers and then turned over to the City.

Capital Assets

Clinton City added \$4,822,020 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: Equipment \$103,801; Infrastructure \$1,535,459; Improvements \$243,039; and Land \$2,700,241.

Fund Balances

The fund balance in the General Fund decreased by \$(21,213). The fund balances in the other Governmental Funds increased by \$610,128. The Net Assets in the Enterprise Funds increased by \$1,148,284.

Long-Term Debt

The City currently owes \$647,000 on General Obligation Refunding Bonds Series August 15, 2003. \$121,000 of the debt will be paid in the current year with \$526,000 remaining in Long-Term debt.

General Fund Budgets

Clinton City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Actual General Fund revenues were \$3,450,502 above the original budget and \$201,500 above the final adjusted budget. Actual General Fund expenses before transfers were \$215,932 below the original budget and \$1,026,039 below the final adjusted budget.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Clinton City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Clinton City, 1906 West 1800 North, Clinton City, Utah 84015.

CLINTON CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 5,822,406	\$ 2,035,033	\$ 7,857,439
Restricted cash	1,056,199	2,143,191	3,199,390
Accounts receivable	208,486	409,216	617,702
Due from other governmental units	1,564,071	-	1,564,071
Notes receivable	1,119,652	-	1,119,652
Prepaid expenses	-	115,193	115,193
Internal balances	(78,257)	78,257	-
Capital assets (net of accumulated depreciation):			
Land	3,798,344	4,586	3,802,930
Infrastructure	14,422,810	12,055,041	26,477,851
Buildings	1,079,404	-	1,079,404
Improvements	1,827,408	-	1,827,408
Machinery and equipment	794,754	51,782	846,536
Water rights	-	263,100	263,100
TOTAL ASSETS	31,615,277	17,155,399	48,770,676
LIABILITIES			
Accounts payable	434,431	105,808	540,239
Accounts payable - Coalition funds	-	8,509	8,509
Deposits	103,200	207,978	311,178
Compensated absences	199,781	-	199,781
Deferred revenue	2,190,732	-	2,190,732
Non-current liabilities:			
Due within one year	121,000	-	121,000
Due in more than one year	526,000	-	526,000
TOTAL LIABILITIES	3,575,144	322,295	3,897,439
NET ASSETS			
Invested in capital assets, net of related debt	21,275,720	12,374,509	33,650,229
Restricted for:			
Class "C" Road	47,556	-	47,556
State Liquor fund	2,706	-	2,706
Perpetual care	212,145	-	212,145
Transportation impact fees	532,623	-	532,623
Fire and EMS impact fees	101,850	-	101,850
Parks impact fees	40,059	-	40,059
Police facilities impact fees	119,261	-	119,261
Utility impact fees	-	2,143,191	2,143,191
Unrestricted	5,708,213	2,315,404	8,023,617
TOTAL NET ASSETS	\$ 28,040,133	\$ 16,833,104	\$ 44,873,237

The accompanying notes are an integral part of these statements.

CLINTON CITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,736,144	\$ 992,302	\$ 28,449	\$ -	\$ (715,393)	\$ -	\$ (715,393)
Public safety	2,221,983	596,321	36,767	-	(1,588,895)	-	(1,588,895)
Highways and public improvements	1,202,974	73,493	526,330	1,012,097	408,946	-	408,946
Parks and recreation	1,223,281	323,070	-	-	(900,211)	-	(900,211)
Cemeteries	53,883	23,532	-	-	(30,351)	-	(30,351)
Interest on long term debt	20,505	-	-	-	(20,505)	-	(20,505)
Total governmental activities	6,458,770	2,008,718	591,546	1,012,097	(2,846,409)	-	(2,846,409)
Business-type activities:							
Water	831,958	1,070,804	-	131,147	-	369,993	369,993
Sewer	594,313	589,774	-	209,442	-	204,903	204,903
Solid waste	1,127,351	1,065,148	-	-	-	(62,203)	(62,203)
Storm water	217,495	601,967	-	200,687	-	585,159	585,159
Total business-type activities	2,771,117	3,327,693	-	541,276	-	1,097,852	1,097,852
Total primary government	\$ 9,229,887	\$ 5,336,411	\$ 591,546	\$ 1,553,373	(2,846,409)	1,097,852	(1,748,557)
General revenues:							
Property taxes					1,141,105	-	1,141,105
Sales taxes					2,056,544	-	2,056,544
Franchise taxes					871,772	-	871,772
Fees-in-lieu of taxes					195,904	-	195,904
Special revenues					650,946	-	650,946
Miscellaneous					46,342	-	46,342
Interest earnings					181,557	112,491	294,048
Gain on sale of assets					2,328,295	-	2,328,295
Transfers					13,675	(13,675)	-
Total general revenues and transfers					7,486,140	98,816	7,584,956
Change in net assets					4,639,731	1,196,668	5,836,399
Net assets - beginning					23,400,402	15,636,436	39,036,838
Net assets - ending					\$ 28,040,133	\$ 16,833,104	\$ 44,873,237

The accompanying notes are an integral part of these statements.

CLINTON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Capital Project Fund Land Acquisition	Capital Project Fund Park Construction
ASSETS			
Cash and cash equivalents	\$ 2,664,686	\$ 2,562,757	\$ 4,208
Restricted cash	803,995	-	40,059
Notes - receivable	-	-	-
Accounts receivable	208,486	-	-
Due from other governmental units	1,564,071	-	-
Total assets	<u>\$ 5,241,238</u>	<u>\$ 2,562,757</u>	<u>\$ 44,267</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 434,430	\$ -	\$ -
Customer deposits	103,200	-	-
Deferred revenues	2,093,765	-	-
Total liabilities	<u>2,631,395</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:			
Class "C" Road	47,556	-	-
State Liquor fund	2,706	-	-
Perpetual care	-	-	-
Park impact fees	-	-	40,059
Transportation impact fees	532,623	-	-
Fire and EMS impact fees	101,850	-	-
Police facilities impact fees	119,261	-	-
Unreserved, reported in:			
General fund	1,805,847	-	-
Capital projects funds	-	2,562,757	4,208
Special revenue - RDA	-	-	-
Total fund balances	<u>2,609,843</u>	<u>2,562,757</u>	<u>44,267</u>
Total liabilities and fund balances	<u>\$ 5,241,238</u>	<u>\$ 2,562,757</u>	<u>\$ 44,267</u>

The accompanying notes are an integral part of these statements.

Special Revenue Fund HUD Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 179,421	\$ 5,411,072
-	212,145	1,056,199
1,119,652	-	1,119,652
-	-	208,486
-	-	1,564,071
<u>\$ 1,119,652</u>	<u>\$ 391,566</u>	<u>\$ 9,359,480</u>
\$ -	\$ -	\$ 434,430
-	-	103,200
1,119,652	-	3,213,417
<u>1,119,652</u>	<u>-</u>	<u>3,751,047</u>
-	-	47,556
-	-	2,706
-	212,145	212,145
-	-	40,059
-	-	532,623
-	-	101,850
-	-	119,261
-	-	-
-	-	1,805,847
-	110,122	2,677,087
-	69,299	69,299
<u>-</u>	<u>391,566</u>	<u>5,608,433</u>
<u>\$ 1,119,652</u>	<u>\$ 391,566</u>	<u>\$ 9,359,480</u>

CLINTON CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental funds: \$ 5,608,433

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in the
funds.

Land	\$ 3,798,344	
Infrastructure	20,564,194	
Buildings	1,688,263	
Improvements	2,420,325	
Machinery and equipment	523,696	
Accumulated depreciation	<u>(7,707,764)</u>	
		21,287,058

Internal Service Funds are used by management to charge the
costs of fleet management to individual funds. The assets
and liabilities of the Internal Service Fund are included in
governmental activities in the Statement of Net Assets.

1,046,995

Less: Internal payable representing charges in excess of
cost to business type activities.

Prior years	(29,873)	
Current year	<u>(48,384)</u>	
		968,738

Long-term liabilities, including compensated absences are not
due and payable in the current period and therefore are not
reported in the governmental funds, but they are reported in
the Statement of Net Assets.

Bonds payable	(647,000)	
Compensated absences	<u>(199,781)</u>	
		(846,781)

Earned and unavailable revenue is shown as a liability until
available in the funds.

1,022,685

Net assets of governmental activities	<u><u>\$ 28,040,133</u></u>
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The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Capital Project Fund Land Acquisition	Capital Project Fund Park Construction
REVENUES			
Taxes			
Property taxes	\$ 1,020,588	\$ -	\$ -
Sales taxes	2,056,544	-	-
Franchise taxes	871,772	-	-
Fees-in-lieu of taxes	195,904	-	-
Licenses and permits	674,306	-	-
Intergovernmental	591,546	-	-
Charges for services	943,695	-	-
Fines and forfeitures	379,012	-	-
Miscellaneous revenue	2,662,265	44,159	21,290
Special revenues	650,946	-	-
Total revenues	<u>10,046,578</u>	<u>44,159</u>	<u>21,290</u>
EXPENDITURES			
Current:			
General government	1,498,910	-	-
Public safety	2,537,129	-	-
Highways and public improvements	1,186,779	-	-
Parks and recreation	1,215,103	-	-
Cemeteries	57,221	-	-
Debt service			
Principal	121,995	-	-
Interest and fees	20,510	-	-
Capital outlay			
Capital projects	-	1,519,138	1,107,674
Total expenditures	<u>6,637,647</u>	<u>1,519,138</u>	<u>1,107,674</u>
Excess (deficiency) of revenues over expenditures	<u>3,408,931</u>	<u>(1,474,979)</u>	<u>(1,086,384)</u>
Other financing sources (uses)			
Transfers in	-	2,702,238	634,762
Transfers out	(3,430,144)	-	-
Total other financing sources and uses	<u>(3,430,144)</u>	<u>2,702,238</u>	<u>634,762</u>
Net change in fund balances	(21,213)	1,227,259	(451,622)
Fund balances - beginning of year	2,631,056	1,335,498	495,889
Fund balances - end of year	<u>\$ 2,609,843</u>	<u>\$ 2,562,757</u>	<u>\$ 44,267</u>

The accompanying notes are an integral part of these statements.

Special Revenue Fund HUD Grant	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 44,191	\$ 1,064,779
-	-	2,056,544
-	-	871,772
-	-	195,904
-	-	674,306
-	-	591,546
-	11,705	955,400
-	-	379,012
-	17,255	2,744,969
-	-	650,946
-	73,151	10,185,178
-	-	1,498,910
-	-	2,537,129
-	-	1,186,779
-	-	1,215,103
-	-	57,221
-	-	121,995
-	-	20,510
-	345,479	2,972,291
-	345,479	9,609,938
-	(272,328)	575,240
-	106,819	3,443,819
-	-	(3,430,144)
-	106,819	13,675
-	(165,509)	588,915
-	557,075	5,019,518
\$ -	\$ 391,566	\$ 5,608,433

CLINTON CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of

Activities are different because:

Net changes in fund balances - total governmental funds	\$	588,915
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Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	3,570,443	
Depreciation expense		<u>(629,288)</u>	2,941,155

Donations of capital assets increase Net Assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.

Infrastructure	1,012,097	
Depreciation expense	<u>(10,121)</u>	1,001,976

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in funds.

Property taxes assessed in January are considered earned revenue for the government-wide financial statements, while governmental funds do not consider it as revenue until available to provide current resources.

2006 property tax assessment	1,022,685	
2005 property tax assessment	<u>(946,359)</u>	76,326

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(236,205)
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Internal Service Funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.	180,941
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Repayment of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.	122,000
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Some expenses reported in the Statement of Activities do not require use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>(35,377)</u>
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Change in net assets of governmental activities	<u>\$</u>	<u>4,639,731</u>
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The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,337,303	\$ 268,682	\$ 324,009	\$ 105,039	\$ 2,035,033	\$ 411,334
Accounts receivable	210,355	66,215	111,538	21,108	409,216	-
Prepaid water	115,193	-	-	-	115,193	-
Total current assets	1,662,851	334,897	435,547	126,147	2,559,442	411,334
Noncurrent assets:						
Restricted cash and cash equivalents	443,508	618,974	-	1,080,709	2,143,191	-
Fixed assets	8,219,844	3,538,635	307,143	4,024,912	16,090,534	2,495,583
Less: Accumulated depreciation	(2,100,660)	(714,494)	(260,524)	(640,347)	(3,716,025)	(1,859,921)
Total noncurrent assets	6,562,692	3,443,115	46,619	4,465,274	14,517,700	635,662
Total assets	8,225,543	3,778,012	482,166	4,591,421	17,077,142	1,046,996
LIABILITIES						
Current liabilities:						
Accounts payable	102,858	2,950	-	-	105,808	-
Account payable - coalition funds	-	-	-	8,509	8,509	-
Deposits	207,978	-	-	-	207,978	-
Total liabilities	310,836	2,950	-	8,509	322,295	-
NET ASSETS						
Invested in capital assets, net of related debt	6,119,184	2,824,141	46,619	3,384,565	12,374,509	635,662
Restricted - Impact fees	443,508	618,974	-	1,080,709	2,143,191	-
Unrestricted	1,352,015	331,947	435,547	117,638	2,237,147	411,334
Total net assets	\$ 7,914,707	\$ 3,775,062	\$ 482,166	\$ 4,582,912	16,754,847	\$ 1,046,996
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					78,257	
Net assets of business-type activities					<u>\$ 16,833,104</u>	

The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
<u>OPERATING REVENUE</u>						
Charges for service	\$ 844,833	\$ 588,573	\$ 1,065,148	\$ 200,486	\$ 2,699,040	\$ 770,034
Impact fees	128,148	-	-	401,481	529,629	-
Other	97,823	1,201	-	-	99,024	-
Total operating revenue	1,070,804	589,774	1,065,148	601,967	3,327,693	770,034
<u>OPERATING EXPENSES</u>						
Operation and maintenance	64,859	15,708	50,928	28,197	159,692	-
Sewage treatment	-	404,633	-	-	404,633	-
Source of supply	221,596	-	-	-	221,596	-
Depreciation	171,514	70,689	16,372	76,295	334,870	192,928
General expense	107,750	26,937	53,875	26,937	215,499	-
Salaries	126,552	41,945	44,547	49,836	262,880	71,817
Employee benefits	60,358	17,415	24,864	19,988	122,625	30,329
Waste collection	-	-	264,716	-	264,716	-
Waste disposal	-	-	628,080	-	628,080	-
Vehicle operation	103,885	22,261	57,611	21,153	204,910	293,065
Total operating expenses	856,514	599,588	1,140,993	222,406	2,819,501	588,139
Operating income (loss)	214,290	(9,814)	(75,845)	379,561	508,192	181,895
<u>NONOPERATING REVENUE</u>						
<u>(EXPENSES)</u>						
Gain on sale of assets	-	-	-	-	-	27,647
Interest revenue	66,762	17,492	22,666	5,571	112,491	21,501
Interest expense	-	-	-	-	-	(1,719)
Total nonoperating revenue	66,762	17,492	22,666	5,571	112,491	47,429
Income (loss) before contributions	281,052	7,678	(53,179)	385,132	620,683	229,324
Transfers in (out)	(6,684)	-	-	(6,991)	(13,675)	-
Capital contributions	131,147	209,442	-	200,687	541,276	-
Change in net assets	405,515	217,120	(53,179)	578,828	1,148,284	229,324
Net assets - beginning	7,509,192	3,557,942	535,345	4,004,084		817,672
Net assets - ending	<u>\$ 7,914,707</u>	<u>\$ 3,775,062</u>	<u>\$ 482,166</u>	<u>\$ 4,582,912</u>		<u>\$ 1,046,996</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					48,384	
Changes in net assets of business-type activities					<u>\$ 1,196,668</u>	

The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Cash Flows From Operating Activities						
Receipts from customers	\$ 926,185	\$ 580,305	\$ 1,063,265	\$ 198,608	\$ 2,768,363	\$ 770,034
Payments to employees	(126,552)	(41,945)	(44,547)	(49,836)	(262,880)	(71,817)
Payments to suppliers	(336,371)	(459,636)	(968,588)	(52,024)	(1,816,619)	(30,329)
Payments for interfund services used	(211,635)	(49,198)	(111,486)	(48,090)	(420,409)	(293,065)
Receipts for impact fees	128,148	-	-	401,481	529,629	-
Net cash provided (used) by operating activities	379,775	29,526	(61,356)	450,139	798,084	374,823
Cash Flows From Noncapital Financing Activities						
Transfers to other funds	(6,684)	-	-	(6,991)	(13,675)	-
Net cash provided (used) by noncapital financing activities	(6,684)	-	-	(6,991)	(13,675)	-
Cash Flows From Capital and Related Financing Activities						
Proceeds from sale of assets	-	-	-	-	-	27,647
Principal paid on capital debt	-	-	-	-	-	(35,934)
Interest paid on capital debt	-	-	-	-	-	(1,719)
Purchases of capital assets	(325,720)	(21,567)	-	(213,475)	(560,762)	(239,480)
Net cash provided (used) by capital and related financing activities	(325,720)	(21,567)	-	(213,475)	(560,762)	(249,486)
Cash Flows From Investing Activities						
Interest and dividends received	66,762	17,492	22,666	5,571	112,491	21,501
Net cash provided (used) by investing activities	66,762	17,492	22,666	5,571	112,491	21,501
Net increase (decrease) in cash and cash equivalents	114,133	25,451	(38,690)	235,244	336,138	146,838
Cash and cash equivalents, July 1	1,666,678	862,205	362,699	950,504	3,842,086	264,496
Cash and cash equivalents, June 30	<u>\$ 1,780,811</u>	<u>\$ 887,656</u>	<u>\$ 324,009</u>	<u>\$ 1,185,748</u>	<u>\$ 4,178,224</u>	<u>\$ 411,334</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 214,290	\$ (9,814)	\$ (75,845)	\$ 379,561	\$ 508,192	\$ 181,895
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	171,514	70,689	16,372	76,295	334,870	192,928
(Increase) decrease in prepaid expense	(8,590)	-	-	-	(8,590)	-
(Increase) decrease in accounts receivable	(35,460)	(9,469)	(1,883)	(1,878)	(48,690)	-
Increase (decrease) in accounts payable	19,032	(21,880)	-	(3,839)	(6,687)	-
Increase (decrease) in deposits	18,989	-	-	-	18,989	-
Total adjustments	165,485	39,340	14,489	70,578	289,892	192,928
Net cash provided (used) by operating activities	<u>\$ 379,775</u>	<u>\$ 29,526</u>	<u>\$ (61,356)</u>	<u>\$ 450,139</u>	<u>\$ 798,084</u>	<u>\$ 374,823</u>
Noncash Investing, Capital and Financing Activities:						
Contributed capital assets from developers	<u>\$ 131,147</u>	<u>\$ 209,442</u>	<u>\$ -</u>	<u>\$ 200,687</u>	<u>\$ 541,276</u>	<u>\$ -</u>
Disposition of assets:						
Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,541
Less accumulated depreciation	-	-	-	-	-	(196,541)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clinton City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

Clinton City was incorporated in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety, public utilities, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has the following component units.

On June 9, 1992, the City adopted an ordinance creating the Clinton City Redevelopment Agency and designating the City Council of Clinton as the governing body of the Agency. The Redevelopment Agency is accounted for as a special revenue fund.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

CLINTON CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government.

Primary government activities are distinguished between *governmental* and *business-type* activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund This fund accounts for financial resources to be used for a specific purposes.

Capital Projects Fund This fund accounts for funds to be used for land acquisition and improvements.

The City reports the following major proprietary funds:

Sewer Fund - The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Water Fund - The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Solid Waste Fund - The solid waste fund is used to account for operations of the solid waste system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Storm Water Fund - The storm water fund is used to account for operations of the storm water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

Internal Service Fund - The internal service fund is used to account for the operating costs of vehicles and equipment charged to the other departments or funds. The internal service fund primarily benefits the governmental funds and is included as part of governmental-type activities in the government-wide financial statements. The net profit or loss on the internal service fund operations is allocated to the functions that benefited from the goods or services provided on the basis of their proportionate benefit. This technique is commonly known as the look-back approach to internal service fund consolidations on the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the City does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized. The City currently has infrastructure assets recorded.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years
Improvements	10-50 years
Equipment	5-10 years
Infrastructure	25-50 years

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Expenditures (Continued)

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2005.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds except for the HUD Grant Special Revenue Fund which had no projected activity for the current year. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Special Revenue Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

Summary of City Budget Procedures and Calendar (Continued)

9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.

10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

11. In connection with budget adoption:

- a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
- b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.

12. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

Current Year Excess of Expenditures Over Appropriations:

For the year ended June 30, 2006, expenditures did not exceed appropriations in any department.

G. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

H. Compensated Absences

City policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Restricted Resources

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CLINTON CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS**A. Deposits**

The City's deposits are carried at cost.

At June 30, 2006, the carrying amount of the City's deposits was \$552,706 and the bank balance was \$604,687. Of the bank balance, \$200,000 was covered by federal depository insurance.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 10,504,123	\$ 10,500,762

C. Summary

	Carrying Amount
Petty cash	\$ 252
Deposits	552,454
Investment in Utah Public Treasurer's Investment Fund	10,504,123
Total deposits and investments	\$ 11,056,829
Equity in pooled cash and investments	\$ 7,857,439
Restricted cash - storm water	1,080,709
Restricted cash - water fund	443,508
Restricted cash - sewer	618,974
Restricted cash - general fund	803,995
Restricted cash - capital projects	40,059
Restricted cash - cemetery	212,145
Total deposits and investments	\$ 11,056,829

Deposit and Investment Risk Disclosure. Deposits and investments for Clinton City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006, were \$604,687, of which \$200,000 were insured under federal depository insurance.

Custodial credit risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	(Deletions)	Balance June 30, 2006
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Nondepreciated Assets				
Land	\$ 1,135,837	\$ 2,700,241	\$ (37,734)	\$ 3,798,344
Total nondepreciated assets	1,135,837	2,700,241	(37,734)	3,798,344
Depreciated Assets				
Internal service	2,452,644	239,480	(196,541)	2,495,583
Infrastructure	19,028,735	1,535,459	-	20,564,194
Improvements-nonbuilding	2,177,286	243,039	-	2,420,325
Machinery and equipment	424,895	103,801	(5,000)	523,696
Buildings	2,020,661	-	(332,398)	1,688,263
Total depreciated assets	26,104,221	2,121,779	(533,939)	27,692,061
Less accumulated depreciation				
Internal service	(1,863,534)	(192,928)	196,541	(1,859,921)
Infrastructure	(5,657,993)	(483,391)	-	(6,141,384)
Buildings	(692,270)	(50,516)	133,927	(608,859)
Machinery and equipment	(326,183)	(43,421)	5,000	(364,604)
Improvements	(530,836)	(62,081)	-	(592,917)
Total accumulated depreciation	(9,070,816)	(832,337)	335,468	(9,567,685)
Net assets depreciated	17,033,405	1,289,442	(198,471)	18,124,376
Governmental activities capital assets, net	<u>\$ 18,169,242</u>	<u>\$ 3,989,683</u>	<u>\$ (236,205)</u>	<u>\$ 21,922,720</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated Assets				
Land	\$ 4,586	\$ -	\$ -	\$ 4,586
Water rights	3,100	260,000	-	263,100
Total nondepreciated assets	7,686	260,000	-	267,686
Depreciated Assets				
Solid waste	307,143	-	-	307,143
Water system	7,679,992	196,868	-	7,876,860
Water equipment	75,299	-	-	75,299
Sewer system	3,290,636	231,010	-	3,521,646
Sewer equipment	16,989	-	-	16,989
Storm water improvements	3,610,750	414,161	-	4,024,911
Total depreciated assets	14,980,809	842,039	-	15,822,848

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2005	Additions	(Deletions)	Balance June 30, 2006
BUSINESS-TYPE ACTIVITIES (CONTINUED)				
Less accumulated depreciation				
Solid waste	\$ (244,152)	\$ (16,372)	\$ -	\$ (260,524)
Water system	(1,929,146)	(171,515)	-	(2,100,661)
Sewer system	(643,804)	(70,689)	-	(714,493)
Storm water improvements	(564,052)	(76,295)	-	(640,347)
Total	<u>(3,381,154)</u>	<u>(334,871)</u>	<u>-</u>	<u>(3,716,025)</u>
Net assets depreciated	11,599,655	507,168	-	12,106,823
Business-type activities capital assets, net	<u>\$ 11,607,341</u>	<u>\$ 767,168</u>	<u>\$ -</u>	<u>\$ 12,374,509</u>

DEPRECIATION EXPENSE

	Governmental Types	Business Types	Totals
General government	\$ 34,391		\$ 34,391
Police	22,892		22,892
Fire	9,836		9,836
Ambulance	1,906		1,906
Public works	62,927		62,927
Class "C" roads	483,391		483,391
Parks	24,066		24,066
Internal service*	192,928		192,928
Solid waste	-	16,372	16,372
Water system	-	171,515	171,515
Sewer system	-	70,689	70,689
Storm water improvements	-	76,295	76,295
TOTAL	<u>\$ 832,337</u>	<u>\$ 334,871</u>	<u>\$ 1,167,208</u>

* Depreciation expense on capital assets held by the internal service fund is charged to the various functions based on their usage of the assets.

NOTE 4 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2006, was as follows:

Description	Interest Rate	Outstanding 6/30/2005	Additions	Payments	Outstanding 6/30/2006	Current Portion
GOVERNMENTAL ACTIVITIES						
General obligation bonds:						
Series 2003-						
Refunding bonds	1.5-3.15%	\$ 769,000	\$ -	\$ 122,000	\$ 647,000	\$ 121,000
Capital leases	5.35-5.86%	35,934	-	35,934	-	-
Total		<u>\$ 804,934</u>	<u>\$ -</u>	<u>\$ 157,934</u>	<u>\$ 647,000</u>	<u>\$ 121,000</u>

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. They are listed as capital leases.

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

General Obligation Bonds Advance Refundings

On August 15, 2003, Clinton City issued \$879,000 of general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$780,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$151,425 and resulted in an economic gain of \$80,895 based on the net present value benefit of the debt service savings.

The total General Obligation debt will be paid off by January 15, 2011, four years earlier than the original bond issue. The balance outstanding at June 30, 2006 was \$647,000.

Annual requirements to amortize the bond payable as of June 30, 2006, are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 121,000	\$ 17,568	\$ 138,568
2008	125,000	14,845	139,845
2009	129,000	11,783	140,783
2010	134,000	8,300	142,300
2011	138,000	4,347	142,347
	<u>\$ 647,000</u>	<u>\$ 56,843</u>	<u>\$ 703,843</u>

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS

Plan Description. Clinton City contributes to the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System which are for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percentage of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, 12.29% to the Public Safety Contributory and 8.61% to the Firefighters Retirement Systems respectively. Clinton City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory, 7.95% to the Public Safety Contributory and 19.34% to the non-contributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Clinton City's contributions to the various systems for the years ending June 30, 2006, 2005, and 2004 respectively were: for the Contributory System \$19,973, \$17,008, and \$14,490; for the Noncontributory System \$136,094, \$118,045, and \$93,820; for the Public Safety Contributory, \$76,271, \$73,240, and \$60,415; for Public Safety Noncontributory, \$33,028, \$26,137, and \$9,182; and for the Firefighters System, \$26,606, \$21,304, and \$19,076. The contributions were equal to the required contributions for each year.

Clinton City also participates in a defined contribution 401K plan for employees. The contributions were as follows:

	Employee	Employer
2006	\$ 56,439	\$ 130,378
2005	\$ 37,277	\$ 106,922
2004	\$ 29,894	\$ 89,872

NOTE 6 - BUDGETED CHANGES IN FEDERAL FUND BALANCE

In compliance with Section 10-6-110 of the Utah State Code, Clinton City has balanced their budget for the year ended June 30, 2006. The following provides a detail of the budgeted excess of expenditures over revenues in the general fund:

Budgeted decrease - Unreserved Fund balance	\$ 944,723
Budgeted decrease - Transportation Fund balance	720,772
Budgeted decrease - Police Impact fees	296,343
Budgeted decrease - Fire/Ems Impact fees	138,677
Budgeted decrease - Park Impact fees	146,162
	<u>\$ 2,246,677</u>

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 7 - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Clinton City received a grant of \$1,119,652 from the Department of Housing and Urban Development during fiscal year 1986 for a low income housing development in Clinton City constructed by the Kier Corporation, a Utah Corporation. The entire sum received by Clinton City was loaned to the Kier Corporation as per a promissory note dated December 30, 1985.

As payments are received from the Kier Corporation, revenues and related expenditures will be reported in a Special Revenue Fund. All federal audits of the project for the Single Audit Requirements were and will continue to be conducted at The Kier Corporation, not Clinton City. No payments were received in the fiscal year ended June 30, 2006. Therefore there are no revenues or expenditures in this Special Revenue Fund in the current year.

NOTE 8 - POST-EMPLOYMENT BENEFITS

The only post-employment benefit offered by the City is health insurance for eighteen (18) months following termination. Employees covered and eligible are all employees who were covered by the insurance during employment. The participant is required to pay 100% of the premiums. The City is not required to contribute and therefore incurs no expense.

NOTE 9 - RISK MANAGEMENT

Clinton City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2006, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 10 - DEFERRED REVENUE

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement No.33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue.

Deferred revenue at June 30, 2006 in the General Fund consisted of the following:

Property taxes	\$ 1,022,685
Earnest money deposit on land sale	1,000,000
Seal coat revenues	71,080
	<u>\$ 2,093,765</u>

NOTE 11 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES

The accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2006, and 2005, were \$199,781, and \$164,404 respectively.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 12 - INTER-FUND TRANSFERS

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2006, were as follows:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 3,430,144
Cemetery	75	-
Capital projects	3,444,100	-
Enterprise funds	-	14,031
	<u>\$ 3,444,175</u>	<u>\$ 3,444,175</u>

NOTE 13 - REDEVELOPMENT AGENCY

The Redevelopment Agency (RDA) collected tax increments of \$44,191 for the downtown area. There were no tax increments paid to any other taxing agency. The outstanding principal amount of debt issued for this project at June 30, 2006 was \$-0-.

The RDA expended funds in the following areas:

Downtown Beautification Costs	<u>\$ 95,171</u>
-------------------------------	------------------

NOTE 14 - CONTINGENT LIABILITIES

Amount received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 15 - PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing entity notifies the county of date, time, and place of public hearing	Mar. 1
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year	1st scheduled council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	Jun. 8
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor	Before Jun. 22
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	Jun. 22
Taxing entity adopts final budget if there is no increase in certified tax rate	Jun. 22
Copy of the budget is submitted to state auditor within 30 days of adoption	
Payment and delinquency date	Nov. 30

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 16 - LAND SALE AND PURCHASE

On June 12, 2006 the City sold an undivided 20% interest in certain land and buildings owned by the City for \$2,542,024. The City also received an earnest money deposit of \$1,000,000 on the sale of the remaining 80% interest.

Subsequent to June 30, 2006, the City sold the remaining 80% interest on July 15, 2006 for \$8,221,462. The City also agreed to pay rent of \$160,800 to the purchaser as the new Civic Center is under construction.

Subsequent to June 30, 2006, the City has also purchased additional parcels of land for \$129,039 out of the proceeds from the July 15, 2006 sale.

CLINTON CITY
REQUIRED SUPPLEMENTAL
INFORMATION

JUNE 30, 2006

CLINTON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 988,199	\$ 988,199	\$ 1,020,588	\$ 32,389
Sales taxes	1,573,181	1,772,045	2,056,544	284,499
Utility franchise taxes	628,910	653,910	871,772	217,862
Fees-in-lieu of taxes	169,460	169,460	195,904	26,444
Licenses and permits	625,512	625,512	674,306	48,794
Intergovernmental revenue	512,294	511,494	591,546	80,052
Charges for services	988,470	986,570	943,695	(42,875)
Fines and forfeitures	291,800	371,800	379,012	7,212
Miscellaneous revenue	106,790	3,054,628	2,662,265	(392,363)
Special revenues	711,460	711,460	650,946	(60,514)
TOTAL REVENUES	<u>6,596,076</u>	<u>9,845,078</u>	<u>10,046,578</u>	<u>201,500</u>
EXPENDITURES				
General government:				
Legislative	82,210	82,760	72,808	9,952
City manager	192,860	196,860	190,897	5,963
Judicial	178,910	185,010	183,989	1,021
Professional and technical	148,700	174,564	174,272	292
City treasurer	332,320	341,920	337,398	4,522
Buildings	54,450	72,364	60,769	11,595
Elections	6,000	8,200	8,130	70
Community development	469,371	469,371	415,647	53,724
Non departmental	-	55,000	55,000	-
Total general government	<u>1,464,821</u>	<u>1,586,049</u>	<u>1,498,910</u>	<u>87,139</u>
Public safety:				
Animal control	19,500	-	-	-
Law enforcement	1,440,403	1,772,205	1,673,968	98,237
Crossing guards	37,280	37,280	35,584	1,696
Fire protection	554,642	757,319	660,181	97,138
Ambulance services	132,071	160,516	157,898	2,618
DUI - enforcement	8,500	10,050	9,498	552
Total public safety	<u>2,192,396</u>	<u>2,737,370</u>	<u>2,537,129</u>	<u>200,241</u>
Highways and streets:				
Public works	238,895	273,395	271,796	1,599
Class "C" roads	643,694	767,364	552,267	215,097
Capital outlay	838,100	827,672	362,716	464,956
Total highways and streets	<u>1,720,689</u>	<u>1,868,431</u>	<u>1,186,779</u>	<u>681,652</u>

CLINTON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Parks and recreation:				
Parks	\$ 376,959	\$ 376,959	\$ 370,525	\$ 6,434
Recreation	342,531	342,531	333,833	8,698
Recreation programs	492,350	492,350	462,064	30,286
Clinton Fun Days	44,850	49,200	48,681	519
Total parks and recreation	<u>1,256,690</u>	<u>1,261,040</u>	<u>1,215,103</u>	<u>45,937</u>
Cemeteries	<u>68,263</u>	<u>68,263</u>	<u>57,221</u>	<u>11,042</u>
Debt service:				
Principal	122,000	122,000	121,995	5
Interest and fees	28,720	20,533	20,510	23
Total debt service	<u>150,720</u>	<u>142,533</u>	<u>142,505</u>	<u>28</u>
TOTAL EXPENDITURES	<u>6,853,579</u>	<u>7,663,686</u>	<u>6,637,647</u>	<u>1,026,039</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(257,503)</u>	<u>2,181,392</u>	<u>3,408,931</u>	<u>1,227,539</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,000	2,000	-	(2,000)
Operating transfers out	<u>(553,600)</u>	<u>(4,430,069)</u>	<u>(3,430,144)</u>	<u>999,925</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(551,600)</u>	<u>(4,428,069)</u>	<u>(3,430,144)</u>	<u>997,925</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(809,103)</u>	<u>(2,246,677)</u>	<u>(21,213)</u>	<u>2,225,464</u>
Fund balance - July 1	<u>2,631,056</u>	<u>2,631,056</u>	<u>2,631,056</u>	<u>-</u>
Fund balance - June 30	<u>\$ 1,821,953</u>	<u>\$ 384,379</u>	<u>\$ 2,609,843</u>	<u>\$ 2,225,464</u>

CLINTON CITY
SUPPLEMENTARY INFORMATION

JUNE 30, 2006

CLINTON CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Capital Projects		
	CDBG Grant	Roadway Project	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 110,122	\$ 110,122
Restricted cash			-
Total assets	<u>\$ -</u>	<u>\$ 110,122</u>	<u>\$ 110,122</u>
LIABILITIES AND FUND BALANCES			
Fund balances			
Reserved for perpetual care	-	-	-
Unreserved	-	110,122	110,122
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 110,122</u>	<u>\$ 110,122</u>

Special Revenue Redevelopment Agency	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
\$ 69,299	\$ -	\$ 179,421
-	212,145	212,145
<u>\$ 69,299</u>	<u>\$ 212,145</u>	<u>\$ 391,566</u>
-	212,145	212,145
69,299	-	179,421
<u>\$ 69,299</u>	<u>\$ 212,145</u>	<u>\$ 391,566</u>

CLINTON CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Capital Projects		
	CDBG Grant	Roadway Project	Total
REVENUES			
Perpetual care fees	\$ -	\$ -	\$ -
Interest income	2,500	4,622	7,122
Property taxes	-	-	-
Total revenues	2,500	4,622	7,122
EXPENDITURES			
Capital outlay:			
Capital projects	152,456	97,872	250,328
Total expenditures	152,456	97,872	250,328
Excess (deficiency) of revenues over (under) expenditures	(149,956)	(93,250)	(243,206)
OTHER FINANCING SOURCES (USES)			
Transfers in	106,744	-	106,744
Total other financing sources (uses)	106,744	-	106,744
Net change in fund balances	(43,212)	(93,250)	(136,462)
Fund balance - beginning of year	43,212	203,372	246,584
Fund balance - end of year	\$ -	\$ 110,122	\$ 110,122

<u>Special Revenue Redevelopment Agency</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 11,705	\$ 11,705
4,240	5,893	17,255
44,191	-	44,191
<u>48,431</u>	<u>17,598</u>	<u>73,151</u>
95,151	-	345,479
<u>95,151</u>	<u>-</u>	<u>345,479</u>
(46,720)	17,598	(272,328)
-	75	106,819
-	75	106,819
(46,720)	17,673	(165,509)
116,019	194,472	557,075
<u>\$ 69,299</u>	<u>\$ 212,145</u>	<u>\$ 391,566</u>

CLINTON CITY

SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2006

Year Impact Fees	Police				Storm	
	Transportation	Fire/EMS	Facilities	Water	Sewer	Water
June 30, 1999	\$ -	\$ -	\$ -	\$ -	\$ 225,073	\$ -
June 30, 2000	-	-	-	-	230,058	-
June 30, 2001	-	-	-	-	163,191	-
June 30, 2002	-	-	-	-	652	-
June 30, 2003	-	38,262	-	-	-	-
June 30, 2004	-	21,229	26,746	143,386	-	147,019
June 30, 2005	358,056	29,186	68,198	171,974	-	532,209
June 30, 2006	174,567	13,173	24,317	128,148	-	401,481
Reserves June 30, 2006	\$ 532,623	\$ 101,850	\$ 119,261	\$ 443,508	\$ 618,974	\$ 1,080,709

Capital Projects Planned:

Capital Projects Planned:	Collector street improvements and widening	New fire station	New police station	Water line expansion - Well purchase & development reservoir	Sewer line expansion - New system development	System improvements and land purchase
Projected Schedule for Expenditure	2006 - 07	2006 - 07	2006 - 07	2006 - 07 2009 - 10	2006 - 07 2007 - 08	2006 - 07 2007 - 08

CLINTON CITY
AUDITOR'S REPORTS AND
AUDITOR'S MANAGEMENT LETTER

JUNE 30, 2006

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Honorable Mayor and City Council
Clinton City
Clinton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clinton City, Utah, for the year ended June 30, 2006, and have issued our report thereon dated January 18, 2007. As part of our audit, we have audited Clinton City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Clinton City's financial statements).

State Homeland Security Grant Program
State EMS Grant (Department of Natural Resources)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt	Truth in Taxation and Property Tax Limitations
Cash Management	Liquor Law Enforcement
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Impact Fees
"B" & "C" Road Funds	Justice Courts
Other Compliance Issues	

The management of Clinton City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE
PAGE 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Clinton City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Davis, Chase & Associates

January 18, 2007

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
Clinton City
Clinton, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clinton City, Utah, as of and for the year ended June 30, 2006, and have issued our report thereon dated January 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clinton City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chase & Associates

January 18, 2007

CLINTON CITY
STATUS OF FISCAL YEAR 2005 FINDINGS
AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2006

1. TREASURER'S BOND

The City's current coverage does not provide for the City Treasurer in the proper amount as provided in the Utah Code Section 51-7-15. Every public treasurer shall be bonded in the amount provided in a table required by the Utah Code.

We recommend a fidelity bond on the City's treasurer be obtained in the proper amount.

Management Response

The City will increase the treasurer's bond to the proper amount based on budged gross revenue.

Status: Implemented

2. EXCESS FUND BALANCE

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116(2) of the Utah Code Annotated, 1953, as amended, set forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized and included in the budget in the coming year.

Management Response

The City is aware of the excess and will include it in their budgeting process.

Status: Implemented